

INDIAN TRAINING AND EDUCATION CENTER, INC.

(A NONPROFIT ORGANIZATION)

FINANCIAL STATEMENTS

JUNE 30, 2009

INDIAN TRAINING AND EDUCATION CENTER, INC.

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**Burnham & Schumm, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS

1981 East Murray-Holladay Road  
Suite 245  
Salt Lake City, Utah 84117  
Phone (801) 272-0111  
Fax (801) 272-0125

A Professional Corporation  
Officers:  
Lonnie K. Burnham, C.P.A.  
Ted Schumm, C.P.A.

**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors of the  
Indian Training and Education Center, Inc.

We have audited the accompanying balance sheet of the Indian Training and Education Center, Inc. (a nonprofit organization) as of June 30, 2009, and the related statements of activities and cash flows for the year then ended. These financial statements are the responsibility of the Indian Training and Education Center, Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Indian Training and Education Center, Inc. as of June 30, 2009, and the changes in its net assets and its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated August 31, 2009, on our consideration of Indian Training and Education Center, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide

an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming an opinion on the basic financial statements of the Indian Training and Education Center, Inc. taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script, reading "Burnham & Schumm".

Burnham & Schumm, P.C.  
Salt Lake City, Utah  
August 31, 2009

INDIAN TRAINING AND EDUCATION CENTER, INC.

BALANCE SHEET

JUNE 30, 2009

ASSETS

Current Assets:

Cash and cash equivalents	\$ 412
Receivables, net of allowance of \$-0-	327
Prepaid expenses	<u>17,065</u>

Total current assets	17,804
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Furniture and equipment, at cost, net	11,072
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Other assets, deposits	<u>2,911</u>
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Total Assets	<u>\$ 31,787</u>
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LIABILITIES AND NET ASSETS

Current liabilities:

Accounts payable	\$ 5,247
Accrued payroll taxes	75
Accrued vacation	6,187
Grant payable	<u>7,485</u>

Total current liabilities	<u>18,994</u>
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Net assets:

Unrestricted:	
Operating	163
Fixed assets	11,072
Temporarily restricted	1,558
Permanently restricted	<u>--</u>

Total net assets	<u>12,793</u>
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Total Liabilities and Net Assets	<u>\$ 31,787</u>
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The accompanying notes are an integral  
part of the financial statements.

INDIAN TRAINING AND EDUCATION CENTER, INC.

STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2009

Unrestricted Net Assets:

Support and revenue:

Federal financial assistance	\$ 351,239
Contributions	2,500
Interest income	<u>17</u>

Total unrestricted support and revenue	353,756
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Net assets released from restrictions:

Restrictions satisfied by payments	<u>1,557</u>
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355,313

Expenses:

Program services:

Classroom training	222,454
Training assistance	76,951
Supportive program services	7,991
Supplemental youth services	<u>5,902</u>

Total program services	313,298
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General and administrative	<u>50,001</u>
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Total expenses	<u>363,299</u>
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Decrease in unrestricted net assets	<u>(7,986)</u>
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Temporarily restricted net assets:

Federal financial assistance revenue	1,558
Net assets released from restrictions	<u>(1,557)</u>

Increase in temporarily restricted net assets	<u>1</u>
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Permanently restricted net assets:	<u>--</u>
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Decrease in net assets	(7,985)
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Net assets at June 30, 2008	<u>20,778</u>
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Net assets at June 30, 2009	<u>\$ 12,793</u>
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The accompanying notes are an integral  
part of the financial statements.

INDIAN TRAINING AND EDUCATION CENTER, INC.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2009

Cash flows from operating activities:	
Decrease in net assets	\$ (7,985)
Adjustments to reconcile change in net assets to net cash provided by operating activities:	
Depreciation	6,206
(Increase)decrease in operating assets:	
Receivables	(105)
Prepaid expenses	(7,910)
(Decrease)increase in operating liabilities:	
Accounts payable and accrued expenses	(1,442)
Accrued vacation	1,585
Grant payable	<u>7,007</u>
Net cash used by operating activities	(2,644)
Cash flows from investing activities:	
Payments for furniture and equipment	(720)
Cash flows from financing activities	<u>--</u>
Net decrease in cash	(3,364)
Beginning cash and cash equivalents, June 30, 2008	<u>3,776</u>
Ending cash and cash equivalents, June 30, 2009	<u>\$ 412</u>
Other cash flow information:	
Interest paid	<u>\$ --</u>
Income taxes paid	<u>\$ --</u>

The accompanying notes are an integral  
part of the financial statements.

INDIAN TRAINING AND EDUCATION CENTER, INC.

NOTES TO FINANCIAL STATEMENTS

JUNE 30, 2009

1. Nature of Organization and Significant Accounting Policies

A. Organization

The Indian Training and Education Center, Inc., a not-for-profit corporation, was established under the laws of the state of Utah in 1988 as a nonprofit organization. The Organization is dedicated to serving the Indian community throughout Utah (except for Uintah and San Juan counties) by providing the following programs and services: classroom training that promote skills for long-term employability and increased earnings, training assistance that improves employment related skills, self-sufficiency and growth, supportive services which help individuals and families during the training and job search period, and job search assistance. The funding for these services is provided by a grant from the U.S. Department of Labor.

B. Basis of Accounting

The financial statements of the Organization have been prepared on the accrual basis of accounting and accordingly reflect all significant receivables, payables and other liabilities.

C. Basis of Presentation

Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in its Statement of Financial Accounting Standards (SFAS) No. 117, Financial Statements of Not-for-Profit Organizations. Under SFAS NO. 117, the Organization is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

D. Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.



## Notes to Financial Statements - Continued

### E. Receivables

Receivables are stated at the amount management expects to collect from outstanding balances. Management provides for probable uncollectible amounts through a provision for bad debt expense and an adjustment to a valuation allowance based on its assessment of the current status of individual receivables from grants and contracts. Balances that are still outstanding after management has used reasonable collection efforts are written off through a charge to the valuation allowance and a credit to the applicable receivable. Changes in the valuation allowance have not been material to the financial statements.

### F. Furniture, Equipment and Depreciation

Furniture and equipment are stated at cost less accumulated depreciation. Furniture and equipment are being depreciated over estimated useful lives of five to seven years using a straight-line method, with one-half of a year's depreciation recognized in the years of acquisition and disposal.

The Organization capitalizes all expenditures for furniture and equipment which have a cost of \$500 or more and an estimated useful life of more than one year.

### G. Revenue Recognition

The Organization recognizes grant revenue on a cost reimbursement basis. Grant amounts received by the Organization through cost reimbursement contracts are deemed to be earned and are reported as revenues when the Organization has incurred expenditures in compliance with contract requirements. In accordance with SFAS No. 116, "Accounting for Contributions Received and Contributions Made" conditional promises to give should be recorded in the year received; therefore, the U.S. Department of Labor grant for year ending June 30, 2010 for \$343,473 has not been recorded as a temporarily restricted net asset.

Contributions received are recorded as unrestricted, temporarily restricted, or permanently restricted support depending on the existence or nature of any donor restrictions. Contributions that are restricted by the donor are reported as increases in unrestricted net assets if the restrictions expire in the year in which the contributions are recognized.

## Notes to Financial Statements - Continued

### H. Contributed Services

During the year ended June 30, 2009, the value of contributed services meeting the requirements for recognition in the financial statements was not material and has not been recorded.

### I. Income Taxes

The Organization is a not-for-profit organization that is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code.

### J. Cash and Cash Equivalents

For purposes of the statement of cash flows, the Organization considers all highly liquid investments available for current use with an initial maturity of three months or less to be cash equivalents.

### K. Functional Allocation of Expenses

The costs of providing the various programs and supporting services have been summarized on a functional basis in the statement of activities. Accordingly, certain costs have been allocated among the programs and supporting services benefitted.

## 2. Furniture and Equipment

The following is a summary of furniture and equipment as of June 30, 2009:

Furniture	\$24,502
Equipment	<u>44,207</u>
	68,709
Less accumulated depreciation	<u>(57,637)</u>
	<u>\$11,072</u>

Furniture and equipment acquired with grant funds are subject to certain restrictions on the sale or other disposition of the property as specified by the grantor agency. Also, if the grantor discontinues funding, all property and equipment acquired with grant funds may be recovered by the grantor.

Depreciation expense for the year ending June 30, 2009 is \$6,206.

## Notes to Financial Statements - Continued

### 3. Economic Dependency

The Organization receives 99.3% of its support from the U.S. Department of Labor. A significant reduction in the level of such support, if this were to occur, may have an adverse affect on the Organization's programs and activities. In this regard, the Grantor agency has renewed the primary grant award for the fiscal year ending June 30, 2010 for \$343,473.

### 4. Retirement Plans

All full-time employees who meet certain age and length of service requirements are eligible to participate in the Organization's 403(b) and SEP-IRA retirement plans. The 403(b) retirement plan is an employee salary reduction plan that defers taxes on contributions until the date of withdrawal. The SEP-IRA is a plan that provides for contributions by the Organization at 25% of eligible employees' gross salary. The Organization's contributions vest immediately to the employees hired prior to January 1, 1993. Contributions for employees hired on or after January 1, 1993 vest at a rate of 20% per year, being fully vested after five years of employment. The Organization contributed \$37,155 to the SEP-IRA plan during the year ended June 30, 2009.

### 5. Operating Leases

On December 8, 2003, the Organization entered into a five-year non-cancellable operating lease for its office facility. On June 11, 2008, the lease term was extended for an additional five years. The expiration of the lease is November 30, 2013. Rent expense was \$37,530 for the year ended June 30, 2009.

Minimum future operating lease payments are as follows:

<u>Fiscal Year</u> <u>Ending</u> <u>June 30,</u>	<u>Amount</u>
2010	\$ 40,127
2011	41,330
2012	42,570
2013	43,847
2014	<u>18,494</u>
Total	<u>\$186,368</u>

## Notes to Financial Statements - Continued

### 6. Administrative Costs

The Organization's grantor agency requires that administrative costs not exceed 15% of available funds. During the year ending June 30, 2009, the Organization incurred administrative costs of \$50,001 that were related to the grant received from the U.S. Department of Labor. The administrative costs were within the 15% administrative cost limitation.

GOVERNMENTAL AUDITING STANDARDS REPORTS

INDIAN TRAINING AND EDUCATION CENTER, INC.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

YEAR ENDED JUNE 30, 2009

<u>Federal Grantor/Program Title</u>	<u>CFDA Number</u>	<u>Contract Charges/ Expenditures</u>
<u>U.S. DEPARTMENT OF LABOR:</u>		
Workforce Investment Act		
Title I- Native American Employment and Training Program	17.265	\$ 352,380
Title I- Native American Youth Activities	17.265	<u>5,902</u>
Total expenditures of federal awards		<u>\$ 358,282</u>

NOTE A-BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the Indian Training and Education Center, Inc. and is presented on the accrual basis of accounting.

**Burnham & Schumm, P.C.**  
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Ted Schumm, C.P.A.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF  
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH  
GOVERNMENT AUDITING STANDARDS

To the Board of Directors of the  
Indian Training and Education Center, Inc.

We have audited the financial statements of the Indian Training and Education Center, Inc. (a nonprofit organization) as of and for the year ended June 30, 2009 and have issued our report thereon dated August 31, 2009. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Indian Training and Education Center, Inc.'s internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Indian Training and Education Center, Inc.'s internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Organization's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the organization's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles, such that there is more than a remote likelihood that a misstatement of the organization's financial statements that is more than inconsequential will not be prevented or detected by the organization's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the organization's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether Indian Training and Education Center, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

We noted certain matters that we reported to management of Indian Training and Education Center, Inc. in a separate letter dated August 31, 2009.

This report is intended solely for the information and use of the board of directors, management, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Burnham & Schumm, P.C.  
Salt Lake City, Utah  
August 31, 2009

A handwritten signature in cursive script, appearing to read "Burnham & Schumm", is written in dark ink.



**Burnham & Schumm, P.C.**  
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A Professional Corporation  
Officers:  
Lonnie K. Burnham, C.P.A.  
Ted Schumm, C.P.A.

August 31, 2009

To the Management and  
Board of Directors of the  
Indian Training and  
Education Center, Inc.

In planning and performing our audit of the financial statements of Indian Training and Education Center, Inc. for the year ended June 30, 2009, we considered the Organization's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control. Accordingly, we do not express an opinion on the effectiveness of the Organization's internal control.

However, during our audit, we became aware of matters that are opportunities for strengthening internal controls and operating efficiency. We previously reported on the Organization's internal control in our report dated August 31, 2009. This letter does not affect our report dated August 31, 2009, on the financial statements of Indian Training and Education Center, Inc.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various Organization personnel, and we will be pleased to discuss these comments in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations. Our comments are summarized as follows:

Participant Allowances

While testing participant allowances, we noted two errors out of 23 allowances tested. In one instance a participant with two dependent children should have been paid \$460 but only received \$400. In the other instance a participant with two dependent children received \$480 when they only qualified for \$460.

We recommend that Indian Training and Education Center, Inc. carefully review all participant allowances for proper payment to comply with its internal policies and procedures.

### Financial Reports

Indian Training and Education Center, Inc. is required to submit quarterly financial status reports to the U.S. Department of Labor. All four reports were filed timely but some errors were noted. In the second quarterly report, classroom training and training assistance costs were reversed. In the third quarterly report classroom training costs were reported as \$12,878 instead of the correct amount of \$129,878. The fourth quarterly report was incorrectly reported under the wrong contract number so it had to be resubmitted to the U.S. Department of Labor. It is important that financial status reports submitted to the U.S. Department of Labor be accurate.

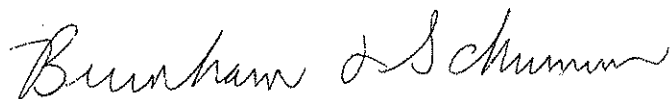
We recommend that the Indian Training and Education Center, Inc. be very careful when preparing its financial status reports to insure that the proper costs are reported.

### Organizational Structure

The size of the Organization's accounting and administrative staff precludes certain internal controls and accounting functions such as preparing its financial statements and notes for the auditors. It is preferred if the office staff were large enough to provide optimum segregation of duties and accounting functions. This situation dictates that the Board of Directors remain involved in the financial affairs of the Organization to provide oversight and independent review functions.

We wish to thank the employees of Indian Training and Education Center, Inc. for their support and assistance during our audit.

This report is intended solely for the information and use of the Board of Directors, management, and others within the organization and is not intended to be and should not be used by anyone other than these specified parties.



Burnham & Schumm, P.C.  
Salt Lake City, Utah  
August 31, 2009